

SOURCE SELECTION OFFICIAL'S
CONTRACT SELECTION STATEMENT
FOR
MANAGEMENT AND OPERATION OF
OAK RIDGE NATIONAL LABORATORY

I have been designated as the Source Selection Official (SSO) for the purpose of selecting a contractor for the management and operation of Oak Ridge National Laboratory (ORNL or Laboratory). On September 22 and 23, 1999, I met with the Source Evaluation Board (SEB or Board) appointed to conduct the contract competition. At these meetings, the voting members of the SEB reported their consensus evaluation of the proposals received. Subsequently, the SEB submitted its final report to me on September 27, 1999. This document conveys my selection decision.

Description of the Procurement

An unrestricted Request for Proposals (RFP) was issued on April 12, 1999, for the purpose of soliciting proposals from qualified offerors for the management and operation of the Oak Ridge National Laboratory located in Oak Ridge, Tennessee. ORNL is one of the nation's largest energy research and development (R&D), multi-program facilities. Its mission is to conduct basic and applied R&D to advance the nation's energy resources, environmental quality, and scientific knowledge. The current contract with Lockheed Martin Energy Research Corporation (LMER) will expire on March 31, 2000.

The RFP provided for the award of a performance based, cost reimbursement contract. The amount of performance fee available each year was limited to \$7 million, and the amount of performance fee earned each year will be based upon DOE's evaluation of the contractor's accomplishments against DOE performance expectations. The period of performance of the contract is five years with an option for five additional years, and the estimated value of the contract is in excess of \$500 million per year.

Submission of Proposals

This procurement was synopsisized in the Commerce Business Daily (CBD) on September 25, 1998, prior to issuing a draft RFP for public comment on December 11, 1998, and it was synopsisized in the CBD again on April 14, 1998, announcing the issuance of the final RFP. The RFP was released on April 12, 1999, via the Internet at the Web site established for the SEB to disseminate information. The due date for receipt of proposals was originally July 12, 1999, but

was extended to August 2, 1999, at the request of a prospective offeror. Five amendments to the RFP were issued on April 27, 1999; May 7, 1999, June 1, 1999; July 9, 1999; and July 19, 1999.

On January 13, 1999, a site tour was conducted for prospective offerors in order to acquaint them with some of the more significant facilities and programs under the cognizance of ORNL. Approximately 80 individuals representing 27 firms participated in the tour. On May 4, 1999, a preproposal conference was held with 30 individuals attending representing 19 firms.

Proposals were received on August 2, 1999, from the following two offerors:

UT-Battelle, LLC
40 New York Ave.
Oak Ridge, TN 37830

(UT-Battelle, LLC [UT-Battelle] is comprised of The University of Tennessee and Battelle Memorial Institute)

Universities Research Association, Inc. (URA, Inc.)
1111 19th St., N.W., Suite 400
Washington, DC 20036

Evaluation Procedures

The RFP contained the following two qualification criteria:

The offeror or its combined parent companies, in the case of a joint venture, teaming arrangement, limited liability company, or other similar entity must have managed an organization which has

- (a) at least \$50 million in average annual research and development (R&D) revenues/costs (R&D includes basic and applied research and exploratory, advanced, and engineering development) over the last three completed and audited fiscal years of the offeror, and
- (b) been responsible for the operation and maintenance of an industrial/scientific infrastructure (to include a variety of buildings and equipment, including specialized experimental laboratories) of at least 1,000,000 square feet.

Both offerors met the qualification criteria, and, therefore, both proposals were evaluated in accordance with the evaluation criteria.

The RFP contained the following technical and business management evaluation criteria and relative weights:

(a) Criterion - Management of Science and Technology	68%
(1) Subcriterion - Science and Technology Programs	35%
(2) Subcriterion - Spallation Neutron Source (SNS)	13%
(3) Subcriterion - Laboratory Operations	10%
(4) Subcriterion - Environment, Safety, and Health	10%
(b) Criterion - Leadership	24%
(1) Subcriterion - Management Team	14%
(2) Subcriterion - Organization	5%
(3) Subcriterion - Transition Plan	5%
(c) Criterion - Corporate Experience and Past Performance	5%
(d) Criterion - Corporate Citizenship	3%

The RFP stated that the technical and business management proposal would be point scored, and the cost and fee (including fixed fee and the fee discount factor) proposal would not be point scored. The technical and business management proposal was of significantly greater importance than the cost and fee proposal. With respect to cost, the RFP stated that cost data submitted would be analyzed to establish the reasonableness and appropriateness of the costs proposed. In addition, the cost proposal would be compared to the technical and business management proposal for consistency and understanding of the Statement of Work.

The RFP stated the basis for contract award as follows:

The Government anticipates the award of a contract as a result of this solicitation to the responsible offeror whose proposal is responsive to the solicitation and is determined to be the best value and most advantageous to the Government. Selection of the best value to the Government will be achieved through a process to select the most advantageous offer by evaluating and comparing proposals in accordance with evaluation criteria in addition to the cost and fee. A best value decision reflects the Government's willingness to accept other than the lowest cost and fee if the perceived benefits of the offer with the higher cost and fee merit the additional cost and fee. The cost and fee could be a determining factor if two or more proposals are determined to be otherwise substantially equal.

Offerors were advised in the RFP that each initial proposal should contain the offeror's best terms from a cost, fee, and technical standpoint since it was the Government's intent to evaluate proposals and award a contract without discussions.

The RFP provided for both written information and an oral presentation by each offeror. Each offeror made an oral presentation to the Board and appropriate advisors on its technical and business management proposal. I attended the oral presentations given by both offerors. The

Board asked questions of the offeror's management team to facilitate the Board's understanding of the information presented in the oral presentation. In addition, the offerors were given two "test problems" for which they proposed solutions to the Board.

After both offerors completed the oral presentations and the question and answer sessions, technical advisors who attended the oral presentations completed written strengths and weaknesses for both offerors and provided such to the Board voting members. Technical advisors did not point score proposals. After receipt of all information from technical advisors and past performance/reference check information, each Board member completed individual written strengths and weaknesses for each criterion applicable to the technical and business management proposal. The Board then developed a consensus of strengths and weaknesses for each offeror's proposal and reached a consensus score for each individual subcriterion to establish a weighted composite score for each proposal.

Limited cost information was obtained and evaluated. The proposed two-month transition and key personnel costs were analyzed to establish reasonableness and appropriateness. The cost proposals were compared to the technical and business management proposals for consistency and understanding of the Statement of Work. In addition, the RFP requested the offerors propose a discount from the maximum available fee. In accordance with the RFP, application of the discount factor in each year of contract performance would establish the available performance fee. The Board also assessed financial information submitted by the offerors and found each to be financially capable of performing the contract.

Based on information submitted with the proposals, there is little or no likelihood of an organizational conflict of interest with either offer. With respect to foreign ownership, control or influence, there are no known concerns regarding either offeror.

Selection Considerations

I agree with the Board's evaluation that overall the UT-Battelle proposal is slightly more advantageous than the URA proposal with respect to the technical and business management criteria. I recognize that both offerors' technical and business management proposals are practically equal in score and that both offerors have the capability to perform the Statement of Work and meet DOE's performance expectations. The aggregate cost and fee of both proposals are very close; although, UT-Battelle's is slightly higher.

A draft RFP was issued in December 1998, which allowed prospective offerors the opportunity to suggest changes to the terms and conditions of the contract. As a result of comments received from both offerors and others, certain changes were made when the final RFP was issued. The RFP stated in clause L-3, "The Proposal:"

Each initial proposal should contain the offeror's best terms from a cost, fee and technical standpoint since it is the Government's intent to evaluate proposals and

award a contract without discussions. The Government, however, reserves the right to conduct discussions if it later determines that discussions are necessary (see the clause in Section L entitled, “Instructions to Offerors–Competitive Acquisition”). Any exceptions or deviations taken to the terms of the contract (Sections A-K) will make the offer unacceptable for award without discussions. If an offeror proposes exceptions to the terms and conditions of the contract, the Government may make an award without discussions to another offeror who did not take exception to the terms of the contract. Offerors should pose any issues/questions to DOE prior to the time for receipt of proposals to allow DOE the opportunity to consider whether the matter warrants an amendment to the solicitation.

UT-Battelle agreed to accept the terms and conditions of the contract contained in the RFP without reservation. However, URA proposed “clarifications and revisions” to the terms and conditions some of which constitute exceptions or deviations to the contract terms. The most consequential exceptions proposed would pose significant additional risk and potential cost to DOE, particularly in the areas of fines and penalties, third part liability, and indemnity. In light of Section L-3 of the RFP as well as the draft RFP process, URA was clearly on notice that the Government intended to award a contract without discussions and that, if its initial proposal contained any exceptions or deviations to the terms of the contract, URA’s proposal would not be eligible for award without discussions. Therefore, because of these exceptions and deviations the URA proposal was unacceptable for award without discussions.

Based on the overall evaluation of the two offerors’ proposals, I find sufficient information upon which to make an informed decision, and find no justification or any advantage to the Government to enter into discussions with offerors.

Technical and Business Management Evaluation Criteria

The evaluation criterion “Management of Science and Technology” contained four subcriteria - Science and Technology Programs; Spallation Neutron Source; Laboratory Operations; and Environment, Safety, and Health. With respect to science and technology programs at ORNL, UT-Battelle demonstrated a good understanding of the DOE laboratory system and presented a better defined plan for enhancing the core competencies of ORNL. New scientific initiatives were proposed to extend ORNL capabilities that build on and complement current laboratory competencies. A strong tactical vision, that is both well focused and directed toward a smooth operation of the Laboratory, was presented for the management of the Laboratory’s science and technology efforts. UT-Battelle’s strong emphasis on technology and its well conceived technology transfer program should result in enhanced technology utilization. The proposal presented a good understanding and approach to managing user facilities which provided features that will optimize the user programs at ORNL. UT-Battelle presented a comprehensive partnership plan which included the involvement of industry, including small businesses; DOE laboratories; other government agencies; and educational institutions, including Historically Black

Colleges and Universities, Minority Educational Institutions, and Experimental Program to Stimulate Competitive Research institutions.

UT-Battelle's management demonstrated a strong commitment to and understanding of the priority of the Spallation Neutron Source (SNS) project to the Department. Its proposal presented a plan to assure that the Department's cost, schedule, and technical objectives for the SNS project are accomplished.

UT-Battelle presented a sound approach for enhancing the efficiency of operations at ORNL which included improving the utilization of facilities and reducing operating and overhead costs. With respect to environment, safety and health (ES&H), UT-Battelle's proposal conveyed a much stronger, clearer vision of what constitutes an effective ES&H program at ORNL. It presented an effective plan for integrating ES&H into line management responsibilities and activities and proposed an innovative approach to waste minimization.

The evaluation criterion "Leadership" contained three subcriteria - Management Team, Organization, and Transition Plan. The UT-Battelle management team possesses the requisite qualifications, experience, demonstrated performance, understanding, and capability to perform the Statement of Work. The UT-Battelle Chief Executive Officer and Laboratory Director is a strong leader and has excellent qualifications including laboratory director experience. The management team demonstrated its ability to work in an organized and cohesive manner during its oral presentation consistent with the individual member's assigned responsibilities. The organizational functions and responsibilities are clearly defined. UT-Battelle's transition plan for assumption of contract responsibilities is well thought out as evidenced by the transition organizational structure and work breakdown structure.

The criterion "Corporate Experience and Past Performance" was assessed using information on each of the parent organizations. The UT-Battelle proposal demonstrated good relevant experience including laboratory operations at three other DOE national laboratories. Client ratings with respect to past performance of parent organizations are good. The University of Tennessee and Battelle have a good ES&H record, and Battelle's safety record is better than the DOE complex as a whole.

With respect to the evaluation criterion "Corporate Citizenship," UT-Battelle's offer was rated significantly higher than that of URA. UT-Battelle's substantial, firm commitment to financial contributions and employee involvement in community organizations is excellent.

Cost and Fee

The RFP provided that the cost and fee discount factor proposals are significantly less important than the technical and business management proposal. Given the nature of the management and operating type contract, the RFP did not request information from the offerors from which a probable cost for the entire contract could be estimated. Instead, offerors were requested to

propose a fee discount factor for the life of the contract and to provide cost proposals covering the two-month transition period, beginning February 1, 2000, and the Key Personnel cost and relocation for the first 18 months of the contract, beginning April 1, 2000. The costs and fee that the offerors were requested to propose are expected to constitute less than two percent of the total amounts expended over the life of this contract.

With limited exceptions, the costs proposed by both offerors were considered reasonable and appropriate for their proposed approaches. Nothing in the limited cost proposals indicated a lack of understanding by either offeror of the nature, complexity, or requirements of the work to be performed. UT-Battelle's proposed costs for the transition period and the relocation cost for Key Personnel were evaluated as the higher probable cost, and the key personnel cost (base salary and fringe benefit cost) for the first 18 months of the contract was evaluated as the lower probable cost. UT-Battelle offered a higher fee discount factor that will result in savings over the life of the contract of approximately \$1.5 million over the URA proposal. In consideration of the aggregate cost and fee the proposals are very close; although, UT-Battelle's is slightly higher. However, there would be additional cost and risk to DOE from the URA proposal due to the exceptions taken to the terms and conditions of the contract.

Selection Decision

Based on the evaluation conducted by the Board and my independent review and judgement, UT-Battelle's offer is responsive to the RFP, is the most advantageous to the Government, and provides the best overall value to the Government consistent with the RFP evaluation criteria and award methodology. Accordingly, I select UT-Battelle as the management and operating contractor for Oak Ridge National Laboratory.

/original signed by Milton D. Johnson/

October 18, 1999

Milton D. Johnson
Source Selection Official

Date